

HIDALGO COUNTY, TEXAS ACCOUNTING PROCEDURES MANUAL	Procedure: M.1 Page: 1 of 5 Date Authorized: 08-05-2008 Supersedes:
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NON-TRAVEL MEALS, REFRESHMENTS, AND RELATED EXPENSES

REFERENCE

County Auditor's Form M-1, *"Non-Travel Meals, Refreshments, and Related Expenses Claim"*

AUTHORITY

Local Government Code § 112.002, *"Accounting System in County With Auditor and Population of 190,000 or More"*

Government Code § 611.001, *"Lodging and Meal Expenses"*

Generally, meals provided to employees are considered taxable wages that must be reported on Form W-2, subject to Federal income tax withholding, social security, and Medicare unless specifically excluded by a section of the Internal Revenue Code (IRC). *IRC § 61, § 3121, § 3401*

Federal Tax Regulations § 31.3121(a)-1(h) and § 31-3121(a)-3 provide that amounts paid specifically—either as advances or reimbursements—for traveling or other bona fide ordinary and necessary expenses incurred or reasonably expected to be incurred in the business of the employer are not wages and are not subject to withholding if paid under an accountable plan.

A plan under which an employee is reimbursed for expenses – or receives an allowance to cover those expenses – is an accountable plan only if three conditions are satisfied: (1) there must be a business connection for the expenses; (2) the employee must either substantiate or be deemed to have substantiated the expenses; and (3) the employee must return to the employer amounts in excess of the substantiated expense. *IRC § 62(c); Reg. § 1.62-2(c); Reg. § 1.274-5T*

PURPOSE

The Hidalgo County Commissioners Court on August 5, 2008 approved the policy set forth below. The policy expands on the current authorization for expenditures of food for:

- Jurors (Code of Criminal Procedure Art. 104.001),
- Prisoners (Code of Criminal Procedure Art. 104.002),
- Adult Probation (Government Code § 509.011),
- Juvenile Probation (Human Resources Code § 141.082, § 141.084, § 152.0012, and § 152.1141), and
- AgriLife Extension (Agriculture Code § 43.033).

The policy provides guidelines to departments concerning when non-travel meals, refreshments, and related expenses may be paid for with County funds. The procedures set forth below are prescribed by the Hidalgo County Auditor and are to be followed regarding the payment or reimbursement of non-travel meals, refreshments, and related expenses.

HIDALGO COUNTY, TEXAS
ACCOUNTING PROCEDURES MANUAL

Procedure: M.1
Page: 2 of 5
Date Authorized: 08-05-2008
Supersedes:

SCOPE

The policy, procedures, and guidelines apply to all Hidalgo County officials, department heads, and employees. Applicability of this policy is limited to non-travel meals and refreshments. This policy does not apply to payment or reimbursement of meals while the employee or individual is on travel status. Refer to the Travel Policy for situations in which the employee or individual is on travel status.

DEFINITIONS

"County Sponsored Events" means meetings, seminars, conferences, training sessions, and similar functions to conduct official County business.

"Meals" means food and non-alcoholic beverages provided at breakfast, lunch, or dinner.

"Necessary Expense" means an expense that is appropriate for the conduct of County business.

"Ordinary Expense" means an expense that is common and accepted in County business.

"Refreshments" means non-alcoholic beverages and food items (i.e., fruit, pastries, chips, cookies, cake, candy, etc.) commonly served between meals, but not intended to substitute for meals.

"Related Expenses" means expenses for essential serving products such as paper plates, cups, and plastic utensils related to allowable non-travel meals and refreshments.

POLICIES AND GUIDELINES

Based upon sufficient appropriations in the department's budget and approval by the official or department head, the County of Hidalgo, Texas will allow for the payment or reimbursement of non-travel meals, refreshments, and related costs incurred for the following purposes:

A. Permitted Expenditures

1. County sponsored events for the purpose of conducting substantial and bona fide official County business where attendees include at least one County employee and one or more non-County employees.
 - a. Expenditures may be incurred only for those attendees whose presence is necessary for the purpose of the event.
 - b. The duration of the events must be two or more consecutive hours.
 - c. If the County sponsored event occurs during a recognized meal period (i.e., breakfast 7:00 am to 8:00 am; lunch 12 noon to 1 pm; dinner 6:00 pm to

HIDALGO COUNTY, TEXAS ACCOUNTING PROCEDURES MANUAL	Procedure: M.1 Page: 3 of 5 Date Authorized: 08-05-2008 Supersedes:
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7:00 pm) in order to accommodate scheduling requirements, meals may be provided. Otherwise, only refreshments will be permitted.

- d. Examples include, but are not limited to:
 - i. Commissioners Court meetings
 - ii. Commission/board/committee meetings.
 - iii. Business meetings relating to promotion of economic development, building community cooperation, or information gathering.
 - iv. Formal training sessions held for the purpose of instruction or dissemination of information to general public.
- 2. Meal, refreshments, and related costs specifically authorized in a Federal, state or local government contract or grant, and only to the extent and for the purposes authorized.
- 3. Beverages for the purpose of providing hydration (sports drinks containing electrolytes) for employees performing job tasks outdoors where they are exposed to hot or humid weather conditions. This includes employees performing road work.

To conform to IRS regulations governing business expenses, the County will not reimburse costs to a County employee for non-travel meals, refreshments, and related costs when the reimbursement results in taxable income to the employee.

B. Guidelines for Permitted Expenditures

The following guidelines should be followed when making permitted expenditures for non-travel meals, refreshments, and related costs:

1. Budget: The sponsoring department must have sufficient appropriations in their budget (object code 630 *Food*) for such events.
2. Reasonable Costs (including taxes and gratuity): Meals may not exceed \$10 per person or \$250 per event. Refreshments may not exceed \$3 per person or \$125 per event. The cost of related expenses may not exceed \$25.
3. Documentation Requirements: The following supporting documentation will be required for the County Auditor to process payment for non-travel meals, refreshments, and related expenses except when purchasing beverages pursuant to Section A.3. For this purpose, only a purchase order and an original itemized invoice or receipt will be required:
 - a. Purchase order. The purchase order should include the event date, time, duration, and place; estimated number of attendees and affiliation; purpose of the event; and whether meals or refreshments will be provided.
 - b. Original itemized invoice or receipt.
 - c. Completed County Auditor's Form M-1, "*Non-Travel Meals, Refreshments, and Related Expenses Claim*" that documents the date, time, place, amount, and business purpose of the event.
 - d. Written agenda.

HIDALGO COUNTY, TEXAS ACCOUNTING PROCEDURES MANUAL	Procedure: M.1 Page: 4 of 5 Date Authorized: 08-05-2008 Supersedes:
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- e. Sign-in sheet. The sign-in sheet must include the attendees' first and last names, title, and affiliation with the County. If it is not possible to provide a sign-in sheet, the reason for not providing the sign-in sheet must be documented and an estimated number of attendees must be provided.
4. The County Auditor will not pay or reimburse meal expenses that lack documentation or a clear business purpose.

C. Prohibited Expenditures

Expenditures of county funds for the following are specifically prohibited:

- Alcoholic beverages,
- Supplies for coffee breaks, office refreshments, etc.
- Regularly scheduled staff meetings
- Social events such as celebrating holidays or birthdays
- Employee recognition, volunteer recognition, or thank-you events
- The cost of meals or refreshments covered by a registration fee
- Charitable or political functions

PROCEDURES

A. County Department

1. Ensure that expenditures for non-travel meals, refreshments, and related costs comply with County policy and fund source restrictions.
2. Process a requisition in accordance with county purchasing policies and procedures. A requisition(s) should be issued for each event. The requisition should include the required information (Refer to Documentation Requirements for purchase orders under Guidelines for Permitted Expenditures).
3. Submit completed and signed County Auditor's Form M-1, "*Non-Travel Meals, Refreshments, and Related Expenses Claim*" to the County Auditor's Office - Accounts Payable Section, if required.
4. Ensure that the "*Non-Travel Meals, Refreshments, and Related Expenses Claim*" is accompanied by the following documentation:
 - a. Purchase order.
 - b. An original itemized invoice or receipt.
 - c. A written agenda.
 - d. A sign-in sheet. The sign-in sheet must include the attendees' first and last names, affiliation with the County, and position. If it is not possible to provide a list of attendees, for instance in case of employee health fairs, the reason for not providing the list of attendees must be documented and an estimated number of attendees must be provided.

B. Purchasing Department

1. Review requisition submitted by county departments for compliance with this County policy as well as County purchasing policies and procedures.
 - a. If requisition complies with County policy, issue purchase order.
 - b. If requisition does not comply with County policy, deny the requisition and notify department of deficiencies.

HIDALGO COUNTY, TEXAS ACCOUNTING PROCEDURES MANUAL	Procedure: M.1 Page: 5 of 5 Date Authorized: 08-05-2008 Supersedes:
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C. County Auditor's Office - Accounts Payable Section

1. Review original itemized invoice or receipt and supporting documentation to determine compliance with County policy.
 - a. If documentation complies with County policy, process payment in accordance with internal procedures.
 - b. If documentation does not comply with County policy, return the documentation to the requesting department with an explanation for the denial to process payment.